

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	Not Offered _____	Withdrawn _____

**SPITZER PROPOSED AMENDMENT #1**

TIME/DATE PREPARED March 22, 2005

COMPANY: Arizona Public Service

AGENDA ITEM NO. U-1

DOCKET NO. E-01345A-03-0437

OPEN MEETING:DATE: March 24, 2005

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**Page 10, line 4**, after "industry.",

**INSERT:**

“In the wake of the California energy crisis the Commission opened dockets to examine changing industry and market conditions and introspectively analyzed their impact on Arizona's existing rules. The Commission reacted in a measured manner to flawed rules in other jurisdictions and corrected, but did not change, its course.

The Commission continues to support competition as yielding economic and environmental benefits to Arizona consumers. The \$148,000,000 discount from book for the rate-based PWEC assets is indicative of these benefits. Recent transactions reflected in the record, including below-cost sales, foreclosures and bankruptcies, establish that the shareholders of the power plants' builders absorbed the costs and bore the brunt of a declining market, rather than Arizona ratepayers. The discounted conveyance of the PWEC assets to APS is further support for this proposition.”

**Page 10, Line 6**, after “the” and before “stated” **INSERT:**

"Commission's"

**Page 23, Line 3**, after "process.", **INSERT:**

“As discussed above, the rate basing of PWEC assets, at a discount, should not be construed as an abandonment of competition by this Commission. The industry-wide question, 'how will new generation be built and by whom?', is particularly trenchant in Arizona due to high forecast growth in customer load. The self-build moratorium agreed to by APS is consistent with the Commission's support for competitive wholesale electricity markets.”